



Internal Revenue Service Criminal Investigation

Tax Fraud Alert

Questionable Refund Program (QRP)

www.irs.gov
Overview

IRS Keyword: Fraud

Fiscal Year 2004
[Text Only](#) .htm

The Questionable Refund Program (QRP) is a nationwide multifunctional program established in January 1977. The QRP was designed to identify fraudulent returns, to stop the payment of fraudulent refunds and to refer identified fraudulent refund schemes to Criminal Investigation (CI) field offices. While the primary focus is on individual tax returns, business tax returns are also reviewed under the QRP. The increasing numbers of fraudulent business tax returns detected since 1999 resulted in the implementation of a pilot business return QRP in FY 2001 at several Fraud Detection Centers (FDCs).

Since its inception, the QRP has detected over \$2.7 billion in fraudulent refunds and has stopped payment on 90 percent of these refunds. In addition, QRP has been responsible for the identification of substantial abuse in other programs which has resulted in the savings of hundreds of millions of dollars from fraudulent schemes in abusive tax shelters and fraudulent claims for the Earned Income Tax Credit.

Questionable Refund Detection Teams (QRDTs) are located in the CI FDCs located on each of the ten IRS campuses, where individual tax returns are filed and processed. However, the QRP business return detection efforts take place at the Cincinnati and Ogden FDCs only. The QRDT reviews questionable tax returns that have been identified by manual or computerized screening techniques. Schemes with criminal potential are referred to CI field offices for investigation. In addition, many returns are referred to other IRS Operating Divisions as well as to the adjustments section for appropriate civil action.

QRP schemes are also detected through communications from electronic return originators, financial institutions, return preparers, and concerned citizens.

The Electronic Fraud Detection System is a Criminal Investigation (CI) computer system that automates the computer identification output for potentially fraudulent electronic filed tax returns, increases data available for analysis, and assists in the development of information relating to paper and ELF schemes detected by the QRDTs.

The filing of questionable claims for refund is also associated with the crime of identity theft. On October 30, 1998, The Identity Theft and Assumption Deterrence Act of 1998, hereinafter referred to as the Act, went into effect. Section 3 of the Act amends Title 18 U.S.C. § 1028 by, among other things, adding new Subsection (a)(7). This subsection establishes an offense by anyone who:

Knowingly transfers or uses, without lawful authority, a means of identification of another person with the intent to commit, or to aid and abet, any unlawful activity that constitutes a violation of federal law, or that constitutes a felony under any applicable state or local law.

Title 18 U.S.C. § 1028(d)(3) defines "means of identification" as any name or number that may be used, alone or in conjunction with any other information, to identify a specific individual. It covers several examples, such as name, social security number, and government-issued driver's licenses.

Criminal Investigation can investigate and recommend prosecution under this statute in tandem with the investigation of substantive tax and money laundering violations emanating from refund fraud and money laundering schemes.

In the context of tax crimes, Title 18 U.S.C. § 1028 could be applicable where a defendant steals another person's identity for the purpose of falsely representing their identity to the Internal Revenue Service. The issue is most likely to occur in the QRP area where individual identities are stolen with the intent to file false tax returns claiming tax refunds.

Statistical Data

How to Interpret Criminal Investigation Data

Since actions on a specific investigation may cross fiscal years, the data shown in cases initiated may not always represent the same universe of cases shown in other actions within the same fiscal year.

	FY 2004	FY 2003	FY 2002
Criminal Investigations Initiated	267	291	328
Prosecution Recommendations	232	223	144
Indictments/Informations	166	152	125
Sentenced	131	128	102
Incarceration Rate*	87.8%	90.6%	88.2%
Average Months to Serve	21	22	19

*Incarceration may include prison time, home confinement, electronic monitoring, or a combination thereof.

Examples of Questionable Refund Program (QRP) Investigations

The following examples of fraud investigations are excerpts from public record documents on file in the court records in the judicial district in which the cases were prosecuted.

Tax Cheat Gets Time to Think About Crime

On September 22, 2004, in Birmingham, AL, Rickey Dorsey was sentenced to 37 months in prison, followed by three-year supervised release, ordered to pay more than \$39,000 in restitution, \$3,000 in fees, and perform 40 hours of community service, for filing false income tax returns. This case began when IRS officials in Memphis, Tennessee, noticed too many similarities in certain tax returns that had been prepared by Dorsey, who worked as a manager of a Birmingham-area fast food restaurant and as a self-employed tax preparer. A subsequent investigation determined that Dorsey prepared numerous tax returns throughout the 2001 and 2002 tax years, by using fictitious W-2 forms and fake deductions for medical expenses and charitable contributions. Once the tax forms were completed, Dorsey then would electronically file the returns, requesting refunds to be deposited into bank accounts he controlled. In all, Dorsey submitted a total of 64 false returns and received more than \$39,000 in illegal tax refunds.

Defendant Electronically Filed False Income Tax Returns; Sentenced for Tax Fraud

On September 14, 2004, in Baltimore, MD, Mari Ayn Sailer was sentenced to 18 months in prison to be followed by 3 years supervised release. According to the agreed statement of facts, Sailer electronically filed six false claims for refunds totaling \$501,927 in April 2002. Four of the individuals in whose names she claimed refunds were deceased and four of the W-2s accompanying the false returns listed Giant

Foods as the employer, although none of the corresponding individuals worked at Giant Foods in 2001. As a result of one of the fraudulent electronically filed claim, Sailer obtained a refund anticipation loan check. However, the check was not accepted by a bank because of previous suspicious activity on the account. Sailer had pleaded guilty on April 13, 2004, to filing a false federal income tax returns and scheming to defraud a federally insured bank.

Two Sentenced for Filing False Tax Claims

On September 14, 2004, in Wilmington, NC, Shirley A. McDonald and Jacqueline Daily were sentenced for conspiracy and tax violations. McDonald was sentenced to 37 months in prison to be followed by 3 years supervised release. In addition, McDonald was ordered to pay \$9,688 in restitution to the IRS and a \$100 special assessment. Daily was sentenced to 5 years probation and ordered to pay \$9,599 in restitution to the IRS and a \$700 special assessment. According to the indictment and evidence presented in court, McDonald and Daily filed and assisted others in filing false claims for income tax refunds.

Preparer Sentenced to Prison for Preparing False Returns for Law Enforcement Officers

On September 2, 2004, in Fayetteville, AR, Walter W. Fischer was sentenced to 46 months in prison to be followed by one year of supervised release, ordered to pay restitution to the Internal Revenue Service in the amount of \$538,699 and fined \$5,000. Fischer had previously pled guilty to 16 counts of a 63 count indictment that had charged him with aiding and assisting in the preparation of false income tax returns. The majority of Fischer's clients were law enforcement officers from Northwest Arkansas, who responded to his advertisements that he specialized in law enforcement deductions. Fischer admitted in court that he knowingly placed false employee business expenses on numerous tax returns prepared for police officers generating in excess of \$538,000 in false tax refunds. He admitted that he either inflated or put false employee business expenses on the officers' returns in order to generate larger refunds to the officers which resulted in larger tax preparation fees for himself as well as expanding his tax preparation business based on his reputation within the law enforcement community of getting large refunds for law enforcement officers.

Louisiana Tax Preparer Sentenced

On August 9, 2004, in New Orleans, LA, Eric Pounds was sentenced to 30 months in prison, followed by three years supervised release and ordered to pay \$5,100 in restitution to the government after pleading guilty to willfully submitting false claims to the IRS. Pounds admitted he prepared an individual's 1999 tax return, which was submitted to the IRS in March 2000, seeking a refund. Pounds included false employment data with the return. The false filing resulted in a loss to the government of approximately \$5,100.

Dorchester Man Sentenced to Federal Prison for Preparing False Tax Returns

On July 9, 2004, in Boston, MA, Morris Ware, Sr. was sentenced to 21 months in prison, to be followed by one year of supervised release. Ware pleaded guilty in December 2003 to charges of subscribing and filing his own false returns and preparing false returns for customers of his tax preparation business. Ware falsified his own returns and those of his customers, including his son, in order to generate large income tax refunds that neither he nor his customers were entitled. Ware created new W-2's with fabricated withholding amounts and attached it to the returns instead of the legitimate form provided by his customer's employers. On his own return Ware claimed his business withheld and paid over large amounts of federal withholdings from his salary, thus generating large refunds to which his was not legally entitled.

Husband and Wife Sentenced in Tax Refund Scheme

On June 7, 2004, in Fresno, CA, Adela Jimenez was sentenced to 18 months in prison in connection with the illegal tax refund scheme, to be followed by a three-year term of supervised release. She was also ordered to pay an assessment of \$100 and to make restitution in the amount of \$31,013.59 to the Internal

Revenue Service, to be paid jointly and severally with her husband and co-defendant, Jose Jimenez who was previously sentenced to 18 months in custody on May 24, 2004. Adela Jimenez admitted that she used Mexican Voter Registration cards from Mexico to obtain Individual Taxpayer Identification Numbers (ITIN) from the IRS. She also admitted that after receiving ITINs from the IRS, she used the ITINs to have false tax returns, and false Forms W-2 prepared which were then mailed to the IRS. She admitted to renting, or having access to, numerous post office boxes which were used for the purpose of receiving false tax refund checks. Adela Jimenez and her husband, Jose Jimenez, also agreed not to contest the civil forfeiture of real property in Porterville and admitted to knowing that the tax refund checks they received from the IRS were made payable to numerous different individuals, none of whom were known to them to exist.

Former Tax Preparer is Sentenced to Prison for Falsifying Income Tax Returns

On May 14, 2004, in St. Louis, MO, Anthony J. Borrelli was sentenced to 33 months in prison and ordered to pay more than \$12,000 in restitution. Borrelli plead guilty to two counts of aiding and assisting in the preparation of false income tax returns. In 1996 and 1997, Borrelli prepared tax returns for individuals for the tax years 1994, 1995 and 1996. Many of the returns contained false information intended to cause the IRS to send his clients larger income tax refunds than they would have been entitled to receive. The IRS determined that at least 231 tax returns which Borrelli prepared during this period contained false information and that the total tax loss was between \$550,000 and \$950,000.

Local Tax Preparer Ordered to Repay \$233,434 to the IRS after Guilty Plea in Assisting the Preparation of Income Tax Returns Falsely Claiming an Illegal Tax Credit for Slavery Reparations

On May 11, 2004, in Washington, D.C., Rebecca Jenkins Forsyth was sentenced to pay \$233,435 in restitution to the IRS, complete 300 hours of community service, and report to the United States Probation Office for a period of five years. Forsyth faced a period of incarceration of 18 to 24 months, which was not imposed because the Court found Forsyth, a widow and to be the sole, irreplaceable care giver for her son, who has Downs syndrome and is incapable of living independently. Forsyth pled guilty to assisting in the preparation of false income tax returns. For tax years 1999 and 2000, Forsyth prepared and filed Form 1040 claiming an illegal tax credit for African-Americans in reparation slavery. For the majority of tax returns that she prepared, Forsyth signed the tax returns for the taxpayers and mailed the income tax returns directly to the IRS. Through Forsyth's influence and assistance, eleven fraudulent federal income tax returns with total false claims of \$561,717 were filed.

Detroit Man Sentenced for Filing False Tax Return

On March 23, 2004, in Detroit, MI, Daryl Hickman was sentenced to 21 months in prison, followed by two years of supervised release and ordered to pay \$193,715 in restitution. Hickman plead guilty in August 14, 2003 to one count of aiding and abetting in filing a false claim with the Internal Revenue Service. According to the plea agreement, in 1998, Hickman approached an acquaintance, Charles Cameron, and offered to prepare and file a 1997 federal tax return. Hickman subsequently prepared a fraudulent tax return, which contained a business expense deduction and an earned income credit claim, both of which Hickman knew to be false, resulting in a false refund of approximately \$2,500. Hickman, without Mr. Cameron's authority, forged the signature on the return and filed it with the Internal Revenue Service, which caused a refund check to be issued. After further investigation, it was determined that from April 1997 through April 2000, Hickman prepared and filed approximately 90 other similarly fraudulent returns in the names of Mr. Cameron and other individuals claiming approximately \$193,000 in fictitious refunds from the Internal Revenue Service.

Northern California Couple Jailed in QRP

On March 24, 2004, in Sacramento, CA, Diana Dyer and Morson Smith were sentenced after pleading guilty last January to a QRP conspiracy. Each defendant pled guilty to a conspiracy to file false claims with the government. They operated a scheme that falsified income and expenses on 113 returns that claimed approximately \$265,000. Smith was sentenced to serve 63 months in prison followed by 36 months supervised release and ordered to pay \$116,517 in restitution. (\$24,163 of it is a joint and several

liability with Dyer.) Dyer was sentenced to serve 24 months to be followed by 36 months of supervised release plus ordered to pay restitution of \$24,163. They have each remained in custody since February 2003.

San Diego Man Sentenced in Tax Fraud Case

On March 8, 2004, in San Diego, CA, Moises Moran was sentenced to 21 months in prison and three years supervised release for his role in a conspiracy to file more than 620 false income tax returns claiming over \$2.4 million in fraudulent refunds. Moises Moran and his brother Esteban Moran were indicted in September 2003, and charged with conspiracy and fifteen counts of making false claims. The Morans solicited individuals to prepare their tax returns and obtained the social security numbers of their family members. They used the information from these unwitting individuals to prepare and file completely fictitious tax returns. Moises Moran was ordered by the court to pay restitution in the amount of \$841,873. Esteban Moran currently remains a fugitive.

Return Preparer Sentenced to 21 Months

On March 1, 2004, in Detroit, MI, Leonard Hunter was sentenced to 21 months in prison, followed by two years supervised release. Hunter pleaded guilty in December 2003 to conspiring to defraud the Internal Revenue Service by filing false tax returns. Hunter's employee, Paul Yeskey was also sentenced to two years of probation, of which 180 days will be served as home confinement. From 1995 through mid-1998, Hunter and Yeskey profiled taxpayers that were unemployed, self-employed, or minimally employed, who had dependents and had not filed a tax return for several years. Working with these taxpayers, Hunter and Yeskey prepared false and fictitious tax returns, which showed a tax refund due. They falsely claimed that the taxpayers were self-employed as babysitters, house cleaners or similar work, and thereby inflated their income. They also falsely claimed certain tax credits and deductions, creating a false tax refund for the taxpayer. Hunter assisted the taxpayers in cashing the checks, in some cases receiving half the value of the false refund check as payment for his services.

Johnson Sentenced in Identity Theft of Blind Students

On February 25, 2004, in Birmingham, AL, Roshanda Johnson was sentenced to 30 months in prison to be followed by three years of supervised release after being convicted of conspiracy to submit false tax claims and identity theft. Johnson was convicted of providing the names, social security numbers and dates of birth of disabled school children attending the Helen Keller School to an income tax return preparer in a false dependent tax scheme. The tax preparer, Ernest Baskin, was convicted in 2002 for tax fraud conspiracy whereby he "sold dependants" to tax customers for a fee in order to increase the taxpayers' refund amount.

Woman Sentenced in Tax Refund Scheme

On February 23, 2004, in Los Angeles, CA, Draselle Edwards was sentenced to 33 months in prison and ordered to pay restitution in the amount of \$137,609 after pleading guilty to preparing and filing numerous bogus tax returns with the Internal Revenue Service. Edwards' mother, Barbara Jean Weatherspoon was also named in the indictment and was previously sentenced. Both admitted in their plea agreements that they created false W-2 forms that contained false wage and withholding amounts and then used those false W-2's to prepare tax returns to claim refund checks. Edwards and Weatherspoon filed at least 17 false income tax returns all containing the same wage figure and the same figures for deductions. According to the plea agreement, the actual intended loss to the government in the entire scheme was over \$288,000.

Woman Enters Guilty Plea in Slavery Reparations Tax Scam

On February 19, 2004, in Washington, D.C., Rebecca J. Forsyth plead guilty to one count of assisting in false statements to the Internal Revenue Service. For tax years 1999 and 2000 Forsyth prepared and filed for herself and others Form 1040, United States Individual Income Tax Returns, claiming an illegal tax credit for African-Americans in reparation for slavery. Forsyth claimed the tax credit in the amount of

\$43,209 for individual taxpayers and \$86,418 for married filing joint taxpayers. Some of the tax returns that she prepared, Forsyth signed for the taxpayers and mailed the tax return directly to the IRS. Through Forsyth's assistance, eleven fraudulent federal income tax returns with total false claims of \$561,717 were filed.

Man Sentenced To 30 Months In Tax Refund Scheme

On February 17, 2004, in Fresno, CA, Miguel Maciel Saldana was sentenced to 30 months in prison, followed by three-years supervised release, and an assessment of \$100 in connection with an illegal tax refund scheme. Saldana admitted that as part of the conspiracy to defraud the Internal Revenue Service, he prepared false tax returns, and false Forms W-2, which each included a false employer, fictitious earnings, and fictitious tax withholdings resulting in the amount of tax refund fraudulently claimed on the tax return. Saldana also admitted to opening post office boxes which he used to receive the false refund checks, and to knowing that the tax refund checks that were mailed to those post office boxes were obtained with false tax returns prepared by him or someone else. Saldana knew that all of these refund checks were made out to fictitious workers who had not worked in the United States, who had no federal income tax withholdings, and who were not entitled to any tax refunds from the United States. Saldana also knew that the claims resulting in the tax refund checks were false, fictitious, and fraudulent.

Woman Sentenced to 46 Months in Tax Refund Scheme

On January 12, 2004, in Fresno, CA, Elvia Ruiz was sentenced in connection with an illegal tax refund scheme. Ruiz received 46 months in prison, followed by three years supervised release and an assessment of \$100. Ruiz admitted to knowing that the tax refund checks that were mailed to her post office boxes were obtained with false tax returns prepared by her or by someone else. Ruiz further admitted to cashing the fraudulently obtained tax refund checks knowing that the claims resulting in the refund checks were false, fictitious and fraudulent.

Tax Fraud Defendants Sentenced to Three Years' Imprisonment

On January 6, 2004, in Tampa, FL, Steven Powell and John Cuyler were each sentenced to 36 months in prison for their roles in a conspiracy to defraud the United States with respect to the filing of false income tax returns. Both defendants were also sentenced to three years supervised release and ordered to pay \$115,581 in restitution. According to the plea agreements, Powell and Cuyler solicited other individuals for the purpose of providing them with fraudulent Forms W-2, which could be used to file false income tax returns. In addition to soliciting other individuals, each of the defendants filed a false income tax return in their own name.

Business Owner Pleads Guilty to Using Poor to Claim Refund Checks from IRS

On December 16, 2003, in Los Angeles, CA, Lee Roberson Jr. pleaded guilty to filing false income tax returns with the IRS claiming refunds for clients who were not entitled to receive them. Roberson admitted that he prepared at least 53 false returns claiming refunds of over \$91,000; most refunds were based upon the Earned Income Tax Credit (EITC). Roberson admitted that he solicited clients by visiting low-income housing projects, drug rehabilitation centers, homeless shelters, churches, and other places frequented by poor people. Roberson was indicted in May and is scheduled to be sentenced on February 24, 2004.

Michigan Tax Service Owner Pleads Guilty to Defrauding IRS

On December 1, 2003, in Detroit, MI, Leonard Hunter, an accountant and tax preparer who owned and operated "Len Hunter Tax Service", pleaded guilty to conspiring to defraud the IRS by filing false tax returns. On November 24, 2003, Hunters employee, Paul Yeskey, also pleaded guilty to conspiring to defraud the IRS by filing false tax returns. During 1995 through mid 1998, Hunter and Yeskey focused on taxpayers that were unemployed, self-employed, or minimally employed, who had dependents and had not filed a tax return for several years. Working with these taxpayers Hunter and Yeskey would prepare false and fictitious tax returns, which showed a tax refund was due. Hunter would file the returns, listing

his accounting service as the return address. When the refund checks were received Hunter would assist the taxpayers in cashing these checks, sometimes receiving half of the value of the false refund check as payment for his services. The indictment indicated that over 79 returns were identified as part of the scheme, causing over \$130,000 in fraudulent refunds.

Eastern Shore Man Sentenced to 37 Months for Tax Scheme

On November 21, 2003, in Baltimore, MD, Loring White was sentenced to 37 months in prison for his part in a tax scheme whereby he and others prepared false W-2 forms for other individuals, who filed income tax returns based upon the false forms claiming refunds to which they were not entitled. White was also ordered to pay restitution in the amount of \$181,042. The false W-2 forms indicated that an individual received a specific amount of income from an employer, although they had not been employed or had earned much less than set forth on the false W-2. In most cases the amount on the W-2 was chosen to maximize the earned income credit the filer would receive as a result of filing a false tax return based on the false W-2 form.

"Reparation Tax" Scheme Promoter Sentenced to Serve 41 Months

On September 9, 2003, in Mobile, AL, James Buckley, a.k.a. James Dean was sentenced to 41 months in prison and ordered to pay restitution in the amount of \$58,680. Buckley pled to one count of subscribing to a false amended income tax return, one count of assisting in the preparation of a false amended tax return, and one count of mail fraud. Buckley solicited individuals by informing them that they were entitled to receive \$40,000 from the IRS for "Slave Reparations" by claiming withholding credits described as "Second Class Citizens" on tax returns. Buckley also maintained a website that advertised that African Americans might be entitled to a tax rebate of \$40,000 to \$43,209. Buckley charged individuals \$120 to \$150 to file claims with the IRS.

Memphis Woman Sentenced in Tax and Social Security Fraud Investigation

On September 16, 2003, in Memphis, TN, Carol Lynn Robinson was sentenced to 18 months in prison, followed by 24 months of supervised release. Robinson was also ordered to pay restitution to the IRS in the amount of \$3,684, \$2,400 towards the cost of her supervised release, and \$1,100 in special assessments. The sentencing is the result of Robinson having been found guilty of eight counts of filing false claims for tax refunds and three counts of social security fraud after two jury trials.

Refund Fraud Scheme Nets Man 71 Months in Prison

On December 16, 2002, in Memphis, TN, Freddie L. Peters was sentenced to 71 months in prison followed by three years supervised release. In addition, Peters was ordered to pay restitution of \$4,879. In August 2002, a federal jury convicted Peters on 8 counts of aiding and abetting in the filing of false claims against the government and 14 counts of unauthorized disclosure of a social security number. Peters prepared false federal income tax returns and sent them to the IRS claiming refunds that individuals were not entitled to receive. As part of the scheme, Peters purchased social security numbers of children whose mothers were unemployed and then sold the information to other individuals to carry as foster children on their tax returns.

Father, Daughter Sentenced for Filing False Reparation Claims

On October 23, 2003, in Richmond, VA, Robert Lee Foster and Crystal Demetria Foster were sentenced after being convicted in July 2003 of conspiracy to defraud the United States with respect to claims and of filing false, fictitious and fraudulent claims. Robert Foster was sentenced to 13 years in prison and Crystal Foster was sentenced to three years and one month in prison. Beginning in July 2001, Robert Foster assisted numerous persons, including Crystal Foster, in filing false individual federal income tax returns in which they fraudulently claimed refunds ranging from \$8,000 to \$500,000. Robert Foster also filed his own false individual federal income tax returns in which he fraudulently claimed a refund of \$500,000. The refund requests were based on alleged reparations for slavery, a claim which has no basis in the tax laws.

For more summaries, visit www.irs.gov and enter Keyword: Fraud.

Where Do You Report Suspected Tax Fraud Activity?

If you suspect tax fraud or know of an abusive return preparer, you should report this activity to your nearest Internal revenue service office. This information can be communicated by phone or in writing to your local IRS office. You can contact the IRS by phone at 1-800-829-0433.